

**MINUTES OF A MEETING  
KENTUCKY WORKERS' COMPENSATION FUNDING COMMISSION  
BOARD OF DIRECTORS**

**November 15, 2017**

**Opening of Meeting:**

1. A regular meeting of the Board of Directors, Kentucky Workers' Compensation Funding Commission was held on November 15, 2017, in the Commission's conference room, located at 42 Mill Creek Park, Frankfort, Kentucky. Madam Chair Judy Long called the meeting to order.
2. Ms. Angela Calloway announced the meeting will be recorded in accordance with Kentucky Revised Statute 61.835.
3. Madam Chair Long verified press notice and asked for roll call.

**Directors Present:**

4. Judy Long, Self-Insured Employers Representative  
Brooken Smith, Designee for Secretary Derrick Ramsey, Labor Cabinet  
Ryan Barrow, Designee for Secretary William Landrum, Finance & Administration Cabinet  
Michelle Landers, KEMI, Insurance Representative  
Stephanie Rich, Designee for Secretary Terry R. Gill, Jr., Cabinet for Economic Development

**Others Present:**

5. Reuben Jones, Executive Director, KWCFC  
Louie Hord, Director of Fiscal Operations, KWCFC  
Renee Haddix, Director of Audit and Collections, KWCFC  
Lisa King, Audit Review Manager, KWCFC  
Angela Calloway, Fiscal Services Officer, KWCFC  
Rhonda Kiper, Auditor IV, KWCFC  
Scott McKelway, Auditor II, KWCFC  
Michael Swansburg, General Counsel, Labor Cabinet  
Kim Bechtel, Office of Financial Management  
Charlie Donovan, Special Fund, Labor Cabinet  
Allen Norvell, Blue & Co., LLC  
Ed O'Daniel, Attorney  
Dustin Miller, Government Strategies, AIG

**Approval of Minutes:**

6. Ms. Michelle Landers made a motion to approve the September 27, 2017 Regular Meeting Minutes. Mr. Ryan Barrow seconded the motion. Motion carried.

**Financial Report:** (report on file for referral)

7. Mr. Louie Hord reviewed the Year to Date Budget Versus Actual Expenses for KWCFC, the Year to Date Internal Financial Statements, and Fiscal Year to Date Interagency Transfers made by KWCFC for the period ending October 30, 2017.
8. Mr. Brooken Smith made the motion to accept the Financial Reports as presented to the Board. Ms. Michelle Landers seconded the motion. Motion carried.

**Investment Report:** Kim Bechtel (report on file for referral)

9. Ms. Kim Bechtel reviewed the Investment Positions/Strategies stating there was an overall decrease of approximately \$37M with the majority of that being due to a decrease in Deutsche Bank Securities Lending Repo Transactions. She explained as a result of less lending, there were fewer investments in repurchase agreements in September.
10. Ms. Bechtel reported the Special Fund Actuarial Projections were updated with new information from the Actuarial Study. As a result, the Board will begin to see new figures in the actual projections versus the results.
11. Ms. Bechtel reported on the Securities Lending Results and noted the utilization dropped in September but is slowly increasing. She said the Board will continue to see a decrease in the amount of securities out on loan beyond January.
12. Ms. Bechtel explained she updated the previous cash projections with information received from the June 30, 2017 Actuary Study. Over time the slight increase in cash contributions will result in higher cash projections in the future.
13. Ms. Bechtel reported she projects the low point in cash of about \$46M around December 1, 2017, and after that cash should trend upwards due to treasury investments maturing in December.
14. Mr. Brooken Smith made the motion to accept the Investment Report as reported by Ms. Kim Bechtel. Ms. Michelle Landers seconded the motion. Motion carried.

**Financial Audit for Fiscal Year 2017:** Allen Norvell, Blue & Co.(report on file for referral)

15. Mr. Allen Norvell thanked the Board for the opportunity to conduct the audit and expressed his appreciation to the Funding Commission and staff for their cooperation and assistance. Mr. Norvell reviewed the financial statements of the Workers' Compensation Funding Commission for the year ending June 30, 2017. Blue & Co issued an unmodified opinion, dated November 14, 2017 on the financial statements of the Funding Commission and for the fiscal year ending June 30, 2017. The audit disclosed no instance of noncompliance which are material to the Funding Commission's financial statements. The audit disclosed no findings required to be reported in accordance with the Government Auditing Standards.
16. Mr. Ryan Barrow made a motion to accept the Financial Audit as presented by Mr. Norvell. Mr. Brooken Smith seconded the motion. Motion carried.

**Legislative Initiatives:** Renee Haddix

17. Ms. Renee Haddix presented potential Legislative Initiatives for 2018 to the Board. These initiatives are:
  - a. **E-File/E-Pay Directive**-Increases usage in the electronic system;
  - b. **LPTA Transition Expenses**-Reinserts authority to recoup expenses for managing the CWP Fund liability;
  - c. **CWP Fund Closure**-Clarifies what "fully funded" means;
  - d. **LPTA Penalty Waiver**-Addresses the language in the statute granting the board authority to waive penalty on behalf of KEMI;
  - e. **Statute of Limitations**-Provides the Commission the ability to extend the Statute of Limitations which allows the assessment payer to have an extension for authentic and unintentional events;
  - f. **Assessments Defined as Taxes**-Defines assessments which are not clearly defined in statutes and are often mistaken for taxes;
  - g. **Timely Submission of Information**-Explaining the current statute does not address the timely submission of requested information to the Commission and can cause significant delay in the audit;
  - h. **Authority to Issue Jeopardy Assessment**-Provides authority to issue a jeopardy assessment audit in the event a company fails to provide information in a timely manner;
  - i. **Refund to Insured Policy**-Clarifies the refund to insured process. This insures money is returned to Kentucky's policyholders in a timely manner;
  - j. **Expenses not timely remitted**-Improves the timely remittance of audit expense payments;
  - k. **Endorsements**-Allows for a fair and equitable payment of assessment on all assessment payers;
  - l. **Deductible/Schedule Rating**-Provides policyholder transparency of assessment base determination and clearly defines premium assessment base for deductible policies.

18. Ms. Haddix stated proposed statute changes will be submitted to the upcoming General Assembly session and regulatory changes will be submitted prior to July 1, 2019 in compliance with HB 50.
19. Mr. Brooken Smith added HB 50 institutes a continuous process to review regulations within Executive Branch agencies. This is an outgrowth of the Red Tape Reduction Initiative to get agencies to look at regulations to ensure they serve a need.
20. Mr. Brooken Smith made a motion to approve the proposed legislative regulatory changes pending approval by the administration and other relevant state partners. Mr. Ryan Barrow seconded the motion. Motion carried.

**Audit & Collections Update:** Lisa King (report on file for referral)

21. Ms. Lisa King presented an update on the number of audits ongoing and completed.
22. Ms. Stephanie Rich made the motion to accept the Audit and Collections report as presented. Ms. Michelle Landers seconded the motion. Motion carried.

**Executive Session:**

23. Madam Chair Long asked for a motion to go into Executive Session under KRS 61.810 (1) (c), (f) and (j) to discuss litigation, personnel, and penalty waivers.
24. Mr. Brooken Smith made the motion to go into Executive Session. Ms. Michelle Landers seconded the motion. Motion carried.

**Open Session:**

25. Ms. Michelle Landers made the motion to return to open session. Mr. Brooken Smith seconded the motion. Motion carried.

**Other Business:**

**Penalty Waivers**

26. Ms. Michelle Landers made a motion to deny the penalty waiver request in the amount of \$970.20 for the revised filing of Family Dollar, 1<sup>st</sup> and 2<sup>nd</sup> quarter, 2017 Quarterly Premium Reports. Mr. Ryan Barrow seconded the motion. Motion carried.

## Personnel

- 27. Mr. Reuben Jones introduced new employee Mr. Branden Burdette to the Board.
- 28. Madam Chair Long announced the retirement of Ms. Renee Haddix and thanked her for her service of over 23 years to the Commission.
- 29. Ms. Stephanie Rich made a motion to grant authority to hire a Director, Audit & Collections, at a salary not to exceed 90% of midpoint of \$85,000. Mr. Brooken Smith seconded. Motion carried.

## 2018 Meeting Schedule

- 30. Mr. Reuben Jones discussed the 2018 meeting schedule with the Board and recommended a transition from a calendar year schedule to a fiscal year schedule.
- 31. Mr. Jones recommended FY 2018 Board meeting dates of January 24, March 28, and May 23. At the May meeting, the Board will set the FY 2019 meeting schedule. Madam Chair Long stated she has a conflict with May 23. The date of May 16 was proposed, to accommodate the conflict.
- 32. Mr. Ryan Barrow made a motion to set Board meeting dates of January 24, March 28, and May 16, 2018. Ms. Stephanie Rich seconded the motion. Motion carried.

## Contract Update

- 33. Mr. Hord provided an update on D&O Insurance and stated Powell-Walton-Milward agreed to renew the contract with the same Terms & Conditions, but reduced the premium from \$24,131.00 to \$23,617.60, a decrease of \$513.00. On behalf of the staff, Mr. Hord recommended the renewal of the insurance with Powell-Walton-Milward for \$23,617.60 for the period of 12/31/17-12/31/18.
- 34. Mr. Brooken Smith made a motion to approve the renewal of D & O insurance as recommended by Mr. Hord. Ms. Michelle Landers seconded the motion. Motion carried.
- 35. Mr. Hord stated the Request for Proposal (RFP) for legal services is currently being reviewed by legal counsel before being posted on the state procurement website.
- 36. Mr. Hord stated the legal modification has been carried out and all legal bills have been paid as approved at a prior Board meeting.
- 37. Mr. Hord stated the investment firm RFP has been submitted for review to the Division of Financial Management, and after their approval it will be posted.

**New Business:**

38.No new business.

**Adjournment:**

39.Ms. Michelle Landers made a motion to adjourn. Ms. Stephanie Rich seconded the motion. Motion carried.

  
Chairman of the Board